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Former Treasury Official Praises Saudi Action against Terrorist Financing, January 23, 2004

(David Aufhauser says more Saudi efforts needed)

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Washington -- A former general counsel of the Treasury Department, David Aufhauser, has praised Saudi Arabia for its cooperation with the United States in freezing the assets of four foreign offices of a Saudi charity accused of channeling funds to al-Qaida and other terrorist groups.

"This is an important indication of joint resolve in trying to attack the common problem," Aufhauser said at a January 23 seminar on U.S. relations with Saudi Arabia organized by the Middle East Policy Council in Washington.

Aufhauser served as the Treasury Department's general counsel from March 2001 to November 2003 and was chairman of the National Security Council's policy coordinating committee on terrorist financing.

On January 21, Treasury Secretary John Snow announced that the United States and Saudi Arabia have taken joint action to freeze the assets of the offices of the international Saudi charity Al-Haramain in Pakistan, Indonesia, Tanzania, and Kenya. These branches have provided financial, material, and logistical support to the al-Qaida network and other terrorist organizations, the Treasury Department said in a statement.

The statement added that the Saudi government has informed the host countries that these entities are not Saudi entities and should be treated appropriately under local law. The statement also added that designation at the United Nations triggers international obligations on all member countries, requiring them to take steps to ensure that these offices can not continue to use their remaining infrastructure or finances to fund or otherwise support terrorism.

Aufhauser said Saudi cooperation against the Al-Haramain offices is the most recent in a long list of steps the kingdom has taken to thwart terrorists.

The former Treasury official noted that Saudi Arabia has established oversight of its charities, barred the transfer of cash across national borders, required charities to have a single account and an approved signatory for disbursement of funds.

He noted that Saudi Arabia has established "a relatively new and sophisticated" anti-money laundering regime and allowed the international Financial Action Task Force to conduct audits of the regime. He added that Saudi Arabia has arrested as many as ten "financial facilitators" engaged in money raising activities for questionable charities, frozen the assets of two prominent merchants in Jeddah and cooperated with the United States to establish a joint U.S.-Saudi task force in Riyadh to investigate terrorist financing.

On a non-technical level, Aufhauser praised Saudi authorities for moving to thwart the roles of mosques and Islamic clerics in supporting terrorism. Saudi authorities have moved to ban the collection of coins and currency in mosques, Aufhauser said.

"You may think that this is a small matter, but small collections aggregated together pose significant problems, not only in Saudi Arabia but throughout the Islamic world," Aufhauser said. "This is a real sea change. It may be difficult to police but its symbolism can not be understated."

The moderator of the panel discussion, former U.S. Ambassador to Saudi Arabia and now President of the Middle

East Policy Council Chas Freeman, compared Saudi action to control the collections in mosques to a hypothetical effort by the U.S. government to monitor donations in U.S. Catholic churches in order to block the flow of funds to the Irish Republican Army.

Aufhauser also praised Saudi Arabia for beginning to hold Islamic clerics accountable for what they preach and how they use money that their congregations entrust to them. He said this has resulted in recantations by clerics who previously openly championed terror.

Nevertheless, the former general counsel said he finds some aspects of Saudi Arabia's campaign against terrorism "troubling."

He said it took Saudi authorities "too long" to act against the Al-Haramain charity, after the United States showed them evidence of the organization's activities a year earlier. He said Saudis initially responded with "lethargy and inaction."

"We took it to them because it was our strongest case to demonstrate that people who use the cover of non-governmental organizations and charities are actually underwriting terror in Indonesia, Tanzania, Kenya, Pakistan and elsewhere," Aufhauser said.

Aufhauser said he also found it "troubling" that Saudi Arabia asserted that it had no control over the foreign offices of Al-Haramain.

"Now, think for a minute. Al-Haramain is established by the Saudi royal family. It strikes me that there is too much abdication of actual power and responsibility when you say you do not have the ability to actually close down these offices abroad and the best you can do is to freeze what assets they have within the jurisdiction and to prohibit further contributions," he said.

With regard to the "core issue" of personal responsibility, Aufhauser also faulted Saudi steps as insufficient.

"None are sufficient unless you get at the core issue of personal responsibility. In the two and a half years I spent on this matter, I can not remember a single Saudi who was held accountable for being a donor to terrorist financing. Until we get to the donors, the exercise is a fool's errand," he said.

The formation of the U.S.-Saudi joint task force holds promise that the issue of personal responsibility will be addressed, Aufhauser said.